



Week 05

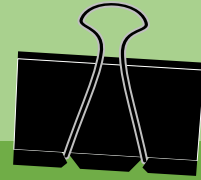
## Capsule – B: Management & Leadership

Instructor – Maria Mohsin



## **Unit # 5:**

Creating a Consumer Focus

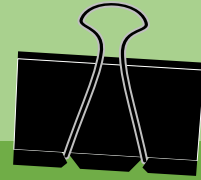


# Ethics

# What is Ethics?

Ethics comes from the Greek word, **ethos**, which means **moral character**

- ❖ Ethics means knowing the difference between right and wrong and continuing to do the right thing
- ❖ Ethical business decisions can be based on your conscience or based on principle.
  - In a business sense, corporate leaders must follow the right behavior to benefit the good of everyone including the shareholders, stakeholders, employees, customers, and the community



# Social Responsibility

# What is Social Responsibility?



- Social responsibility is an ethical theory in which individuals are accountable for fulfilling their civic duty, and the actions of an individual must benefit the whole of society

**OR**

- Working for the community, supporting issues that affect society, such as advocating political or social issues that can help others—for example,
  - Advocating for child labor laws
  - Purchasing fair trade products
  - Recycling
  - Volunteering
  - Giving blood donations
  - Working at a food bank or animal shelter

# Categories of Social Responsibility

Social responsibility is traditionally broken into four categories



# Social Obligation & Social Responsibility

**Social obligation** is when a firm engages in social actions because of its obligations to meet certain economic and legal responsibilities.

*The organization does what it is obligated to do and nothing.*

This concept give rise to the **classical view** of the **social responsibility** which says that management is only responsible for “**profit maximization**”

- Manager's **primary responsibility** is to operate the business in the **best interests of the stockholders**, whose **primary concern** are **financial**.
- When the organizations **decide to spend the organizations resources for social good they add to the costs of doing business**, which have to be passed on to the **consumers** through **higher prices** or absorbed by **stockholders / shareholders** through **smaller dividends**



# Social Responsiveness & Social Responsibility

This **Socio Economic View** states that the manager's responsibility go beyond making profits to include protecting and improving society's welfare.

**Social responsiveness** *is when a company engages in social actions in response to some popular social need.*

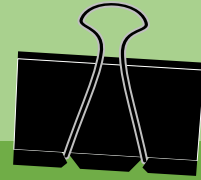
## Example;

- Ford motor company became the first company to endorse a federal ban on sending text messages while driving.
- In 2010, during the disastrous floods, many companies responded to the immense needs in the effected regions, like the NGOs who have company wide policy that urges employees to volunteer during natural disasters and other crisis.

This concept defines **social responsibility** as a **business intention beyond it's legal and economic obligations**, to do right things and act in the way that are **good for the society**

# Should Organizations be Socially Involved?

For	Against
Public Expectations	Violation of Profit maximization
Long-run Profits	Dilution of Purpose
Ethical Obligations	Costs
Public Image	Too Much Power
Better Environment	Lack of Skills
Discouragement of further governmental regulation	Lack of Accountability
Balance of responsibility and power	
Stock Holder Interests	
Possession of resources	
Superiority of prevention over cure	



# Green Management

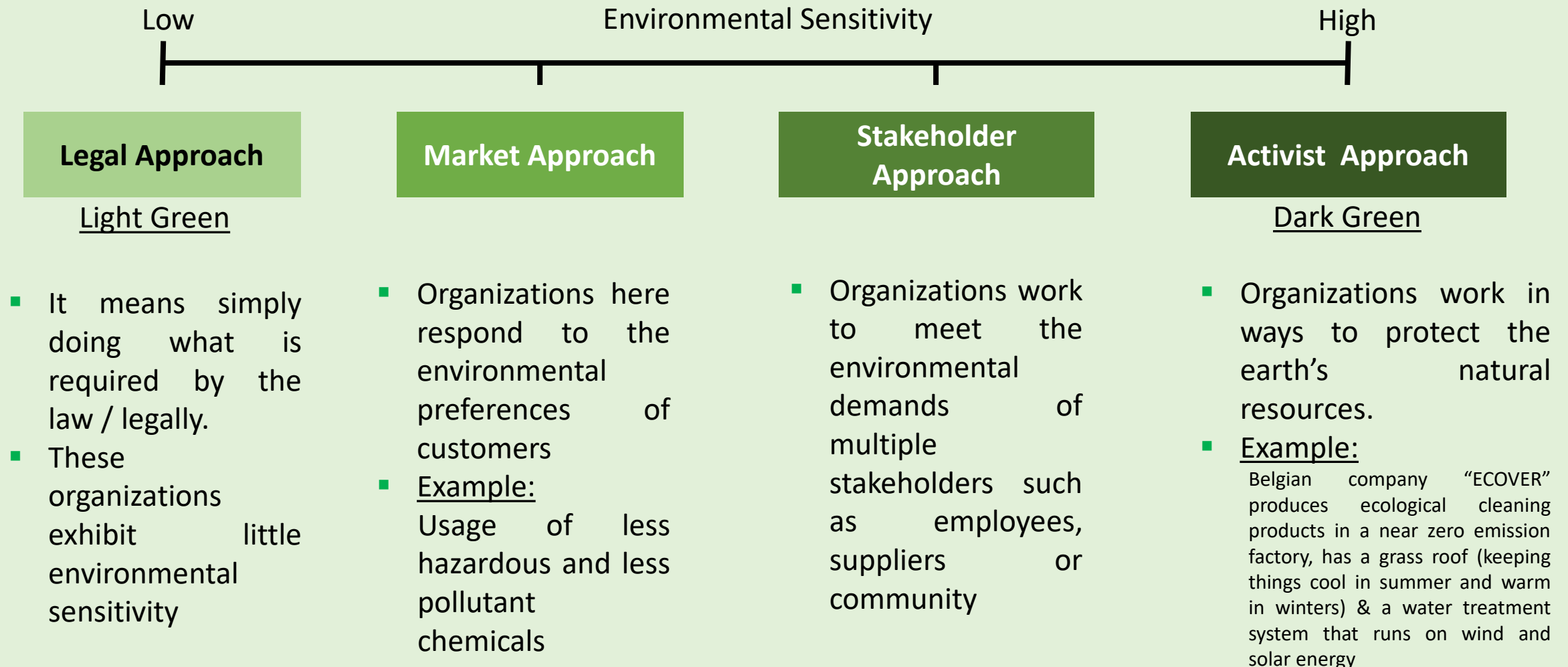
# Green Management and Sustainability

## Green Management:

- Managers consider the impact of their organization on the natural environment i.e. do things to protect and preserve the environment
- Some do it merely as it is required by the law i.e. by radically changing their products and production processes
- Some do more than what is required by the law
- Example;
  - Companies using renewable energy sources, preserving forests and conserving water
  - Carpet making industries using recyclable plastic containers to produce fiber for making carpets
  - Google and Intel initiated an effort to get computer makers and customers to adopt to technologies that reduce energy consumption.

# Green Management and Sustainability

## Green Approaches



# Evaluating Green Management Actions

- ❖ As the company become “greener” they often release detailed reports on their environmental performance.
  - More than 1300 companies around the globe voluntarily report their efforts in promoting environmental sustainability using the guidelines developed by **Global Reporting Initiative (GRI)**
- ❖ Another way is that organizations pursue standards developed by the non-governmental **International Organization for Standardization (ISO)**
  - ISO 9000 – Quality Management
  - ISO 14000 – Environmental Management
- ❖ One final way to evaluate company’s green actions is to use the **Global 100 list** of the most sustainable organizations in the world, this list is announced each year at the **World Economic Forum**.

# Managers and Ethical Behaviour

- ❖ Managers face ethical issues at all levels, areas, sizes and kinds of organizations.
- ❖ Is it ethical for a sales agent to bribe a purchasing agent as an inducement to buy?
- ❖ Is it ethical for someone to use a company car, phone, email, for private use?
- ❖ As managers plan, organize, lead and control, they must consider ethical dimensions. Many decisions that managers make require the consideration of both the process and who gets affected by the result.
- ❖ The factors that determine ethical behavior are:
  - Stage of moral development
  - Individual characteristics
  - Organization's structural design
  - Organization's culture
  - Intensity of ethical issues



# Ethical Behaviour Factors

## ❖ Stages of moral development

- 1) **Pre-conventional level**: a person's choice between right or wrong is based on personal consequences from outside sources (e.g. physical punishment, reward, etc.)
- 2) **Conventional level**: ethical decisions rely on maintaining expected standards and living up to the expectations of others.
- 3) **Principled level**: individuals define moral values apart from the authority of the groups in which they belong or society in general.

### Premoral Level

Stage 1: Punishment-Avoidance and Obedience	Make moral decisions strictly on the basis of self-interests. Disobey rules if can do so without getting caught.
Stage 2: Exchange of favors	Recognize that others have needs, but make satisfaction of own needs a higher priority.

### Conventional Level

Stage 3: Good boy/Good girl	Make decisions on the basis of what will please others. Concerned about maintaining interpersonal relations.
Stage 4: Law and order	Look to society as a whole for guidelines about behavior. Think of rules as inflexible, unchangeable.

### Principled Level

Stage 5: Social contract	Recognize that rules are social agreements that can be changed when necessary.
Stage 6: Universal ethical principle	Adhere to a small number of abstract principles that transcend specific, concrete rules. Answer to an inner conscience.



# Ethical Behaviour Factors

## ❖ Individual Characteristics:

- **Values:** each person has a relatively entrenched set of personal values, which represent basic convictions about what is right and what is wrong. Develop at a young age based on what is seen or heard from parents, teachers, friends and others. This means that employees in the same organization possess different values.
- **Personality:** Two personality variables have been found to influence an individual's actions according to his or her beliefs about what is right or wrong
- **Ego strength:** measures the strength of a person's convictions.
- **Locus of control:** degree to which people believe they control their own fate.
- **Internal:** believe they control their own destinies, therefore take responsibility for consequences and rely on internal standards of right and wrong to guide behavior
- **External:** what happens to them is due to luck or chance, therefore less likely to take responsibility for consequences of their behavior and rely on external forces.

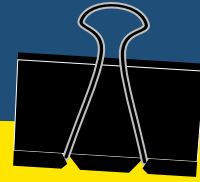
# Ethical Behaviour Factors

## ❖ Structural variables:

- **Organizational structures** that minimize ambiguity and uncertainty with formal rules and regulations, and those that continuously remind employees of what is ethical are more likely to encourage ethical behavior.
- **Use of goals** to guide and motivate can backfire, as employees who don't reach goals are more likely to engage in unethical behavior, with or without the benefit of economic incentives to do so.
- **Performance appraisal system** design also has an influence, depending on the focus; is it exclusively on outcomes or both 'means and ends'. Evaluation based on only outcomes will result in the pressure to look good on the outcomes and not 'how' the results were achieved.
- **Reward allocation**, the more these depend on specific goal outcomes, the more employees are pressured to do whatever they must to reach those goals. This can lead to the compromise of ethical standards.

# Ethics in an International Context

- ❖ Are ethical standards universal? Ethical and unethical behavior is determined through social and cultural differences between countries, although some common moral beliefs exist.
- ❖ Ethical standards establish trust between parties doing business together, including both partners and customers.
- ❖ Organizations earn this trust by demonstrating a pattern of ethical behavior over time, gaining a reputation for fair dealing and respect for human rights and social responsibility.
- ❖ Though every business has an ethics code, engaging in international business may introduce gray areas where expectations for employee conduct are unclear.
- ❖ Organizations working in the international market shall adhere to the ethical principles mainly in the areas of;
  - Human rights
  - Labor Standards
  - Environment
  - Anti-corruption



**The End**